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C O N F I D E N T I A L ABUJA 002518

SIPDIS

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SUBJECT: NIGERIAN PERSPECTIVES ON PROSPECTS FOR A RENEWED
IMF PROGRAM

REF: (A) ABUJA 2301 (B) ABUJA 2338

[1](#)1. (U) Classified by Ambassador Howard F. Jeter for reasons
1.5 (b) and (d).

[1](#)2. (C) In an October 2 telcon with Debt Management Office
Director-General Akin Arikawe, EconOff learned that, from
recent meetings with the IMF and USG officials in Washington,
the GON is cautiously optimistic of a renewed IMF program.
The IMF, he said, "does not have sufficient ground to say the
SBA has failed," when in fact the GON made significant
progress on most benchmarks. Although Arikawe admitted that
the GON had failed to stabilize the country's macroeconomic
environment over the past 8 months, he believed it possible
that the GON could adopt a new framework between now and
December that would alleviate the imbalances in the system.
He said that "President Obasanjo is more committed now than
ever before."

[1](#)3. (C) In particular, Arikawe said the GON could improve its
performance on reducing excess liquidity and reduce the
disparity between parallel and official exchange rates. He
underscored this second issue as the most important raised by
IMF officials during the recent GON visit to Washington.
Arikawe opined that there was strong political sentiment
attached to the current exchange rate, with some political
leaders of the position that the Naira's official rate was
already undervalued. Arikawe believed, however, that the
official rate for the Naira needs to be weakened further --
to N115 per USD, rather than the current N112 -- while the
parallel market rate should appreciate. He said the parallel
rate could strengthen to N130 per USD under the current
psychology of falling oil prices if the GON were careful
about disbursing excess oil revenues to the State Governments
(reported septel) in small, staggered tranches. On monetary
policy, Arikawe averred that the CBN's poor performance on
mopping up excess liquidity during the first half of the year
could not be allowed to continue. He reported that the CBN
had purchased more certificates on the open market than it
had sold, effectively injecting N20 billion into the market.

[1](#)4. (C) Arikawe commented that the IMF team was scheduled to
visit Abuja the week of October 8 and would have the task of
determining how a new program could be structured: whether it
would be short or medium term and what specific benchmarks
could be met under what timeline. Arikawe also reported that
U.S. Treasury DAS Radelet said that the Paris Club may decide
to meet to determine whether Nigeria might qualify for debt
reduction under a new IMF program. The original objective of
implementing the IMF's one-year Stand-by was to achieve an
IMF medium-term program that would then provide the basis for
debt reduction discussions with Paris Club creditors.
Arikawe was hopeful that a renewed IMF program would enable
these discussions to begin.
Jeter